



State of New Jersey

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June 21, 2022

Honorable John K. Sherwood, U.S.B.J.
United States Bankruptcy Court
District of New Jersey
50 Walnut Street, 3rd Floor
Newark, N.J. 07102

Re: National Realty Investment Advisors, LLC, et al.
Case No. 22-14539 (JKS)
(Jointly Administered)

Dear Judge Sherwood:

We represent Amy G. Kopleton, Acting Chief of the New Jersey Bureau of Securities ("the Bureau"), and respectfully seek to be heard in this matter with respect to the pending application by the Debtor-in-Possession to sell certain properties and utilize the proceeds in the manner described in that application (Dkt. 36).¹

As the agency charged with protecting the investing public, the Bureau has a strong regulatory interest in this matter involving the NRIA Partners Portfolio Fund I, LLC (the "NRIA Fund") because the NRIA Fund operated in New Jersey and offered and sold approximately \$630 million in securities in the form of membership units ("Units") in the NRIA Fund to at least 1,800 investors, including at least 380 New Jersey investors.

¹ A complete list of the Debtors in these chapter 11 cases may be obtained on the website of the Debtors' claims and noticing agent at <https://omniagentsolutions.com/NRIA>. The location of the Debtors' service address is: 1 Harmon Plaza, Floor 9, Secaucus, New Jersey 07094.



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Today, the Bureau issued a Summary Cease and Desist Order against the NRIA Fund, its general partner National Realty Investment Advisors, LLC ("NRIA"), NRIA Capital Partners, Inc., NRIA Structured Credit Strategies, LLC, and four present or former members of NRIA Fund senior management (Thomas Nicholas Salzano, Rey Grabato, D. Coley O'Brien, and Arthur Scutaro) (collectively, "the Respondents") for violating the antifraud provisions of the New Jersey Uniform Securities Law, N.J.S.A. 49:3-52(a), (b), and (c), in connection with the offer and sale of securities in the NRIA Fund. A copy of that Summary Cease and Desist Order is attached to this letter.

Among other things, the Summary Cease and Desist Order contains Findings of Fact and Conclusions of Law by the Bureau Chief that the Respondents violated these antifraud provisions in several respects. First, they misrepresented and failed to disclose that the NRIA Fund and NRIA concealed their poor performance by using investors' own money (rather than actual cash flow) to fund annual distributions, by using straw purchasers to create nonexistent sales of certain residential units, and by inflating NRIA's performance by improperly recognizing certain revenues in violation of Generally Accepted Accounting Principles. Second, they engaged in systemic self-dealing by steering lucrative contracts and business opportunities to members of Grabato's and Salzano's families, even paying Salzano's wife for a no-show position. Third, they concealed Salzano's attempt to use a forged term sheet to defraud one investor and to induce a bank to pay \$20 million through another forged document. Respondents went to great lengths to actively conceal and mislead investors about the prior fraudulent conduct of those who were exercising management authority over the Fund, NRIA and affiliated companies.

This conduct has had a devastating impact on investors, as illustrated by a Debtor that raised over \$600 million from investors now reporting assets of only \$50 million to \$100 million. This leaves at least a half billion dollars unaccounted for.

Given the seriousness of these Findings of Fact and Conclusions of Law, the Bureau has a strong regulatory interest in seeing that the administration of this matter is informed by full disclosure of the Respondents' long history of self-dealing and fraudulent conduct, and in such a way that provides appropriate protection for the interests of the NRIA Fund's defrauded investors.

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With respect to the pending application, the Bureau supports the Limited Objection of Certain Investors to Debtors' Motion for Entry of an Order Authorizing the Private Sale of Certain Properties Free and Clear of Liens, Claims, Encumbrances, and Interests, and Granting Related Relief ("Limited Objection") filed by Louis DeLucia, Esq. of Ice Miller (Dkt. 59). The Limited Objection is an appropriately tailored measure of protection for the investors at this early stage in these proceedings.

We thank the Court for its consideration of this letter and the attached Summary Cease and Desist Order, and would appreciate the opportunity to be heard at the hearing of this application.

Respectfully submitted,

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Attachment: Summary Cease and Desist Order